

# Tennessee Comptroller of the Treasury

## Division of Property Assessments

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## Property Assessment Fact Sheet

### ASSESSMENT VS. TAXATION - SEPARATION OF DUTIES

- o Assessment function is distinct from taxation function
- o Assessor of Property appraises and classifies the property and then applies the statutory percentages to appraisals to determine assessments
- o County Commission and city governing bodies determine local property tax rates
- o Taxes are collected by county Trustee and city collecting officials

### THE ASSESSMENT FUNCTION

#### The Assessor

- o Appraises real estate for assessment purposes
- o Tracks changes in ownership, addresses and property boundaries
- o Is required by state law to verify certain information on real estate sales with buyer or seller
- o Appraises and assesses business personal property (furniture, fixtures, machinery and equipment)
- o Responds to requests for public information
- o Must possess both appraisal and administrative skills to do the job

#### The State

- o State Board of Equalization establishes policies and procedures for local Assessors of Property and hears property appeals beyond the county level
- o Division of Property Assessments (a division of the Comptroller of the Treasury) monitors the work of Assessors to ensure proper procedures are followed, provides technical assistance during reappraisal programs, and provides manuals and educational programs for use by Assessors

#### The Assessment Cycle

- o Property appraisals are established during periodic reappraisal programs using current real estate values on either a 6 year, 5 year or 4 year cycle
- o Between reappraisals, the Assessor's appraisals generally remain constant, with the exception of instances where the property has changed (new buildings , additions, demolitions, etc.)
- o In addition to assessing new construction annually, the Assessor's office performs a systematic field review of a portion of the county each year so that during a reappraisal cycle all parcels of property are reviewed
- o Changes to the property discovered during review may be added to, or subtracted from the property value between reappraisals, but with the appraised value based on the previous reappraisal program

#### The Appraisal Process

- o An appraisal is an estimate of the most probable selling price of a property
- o Mass appraisal techniques are employed
- o Physical characteristics listed (dimensions, construction type, age and condition of buildings; size and features of land)
- o Computer resources used as a tool to assist in the intensive analyses and calculations required
- o Assessor's experience and appraisal judgment are important

#### The Assessment Process

- o Property is classified based on its use and statutory assessment percentages are applied to appraised values

Residential property	25%
Farm property	25%
Commercial and industrial property	40%
Public utility property	55%
Business personal property	30%

- o Example: A residence appraised at \$ 100,000 would have an assessed value of \$25,000
- o Assessment Change Notice required to be sent when the value or classification changes

#### Appeals

- o Basis for an appeal: owner's property value too high, another owner's value too low, incorrect classification (real vs. tangible personal property, commercial vs. farm or residential property). Tax amounts are not a valid basis for appeal.
- o Steps in an appeal: informal discussion with Assessor, County Board of Equalization (meets beginning June 1), State Board of Equalization (must first appeal to county board), Chancery Court

### THE TAXATION FUNCTION

- o Property tax rate is established by the County Commission and city governing bodies
- o Assessor provides assessed value totals to county and city governing bodies

- Total assessment and estimates of other revenue are combined with budget projections to determine the property tax rate
- In a reappraisal year, if the local governing body intends to adopt a tax rate that would generate more revenue than the previous year, a public hearing must be advertised and held

**CONCLUSION**

- Separation of the assessment function from the taxation function protects property owners from possible unfair treatment
- The Assessor's job is increasingly demanding in terms of the skills and professionalism required
- The level of knowledge and detail required to appraise property for assessment purposes has dramatically increased
- Greater detail in appraisals results in a more equitable situation for property owners

**Real Estate Assessment Data**

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